

Minneapolis Community Development Agency

Request for City Council Action

Date: September 19, 2002

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by Jerry LePage, Phone 612-673-5240

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Lofts On Arts Avenue Housing Project (1817-21-25-29 3rd Avenue So.):
Amendment to 2002 MCDA Appropriation; Authorization to Accept
\$200,000 in Empowerment Zone Funds and Execute a Memorandum of
Understanding; Authorization to Execute a Grant Agreement with BD Arts
Lofts, LLC, for Empowerment Zone and NRP-AHP Funding

Previous Directives: On August 24, 2001, the MCDA Board authorized staff to proceed with the analysis of the Lofts On Arts Avenue housing proposal submitted by Brighton Development Corporation and to prepare a Redevelopment Plan to support this project. On November 23, 2001, the MCDA and City Council approved the Lofts On Arts Avenue Redevelopment Plan. On July 29, 2002, the MCDA Operating Committee postponed action on the proposed land sales to BD Arts Lofts, LLC, and Stevens Community Associates (SCA). On August 23, 2002, the Board approved these land sales subject to a \$200,000 NRP contribution by Stevens Square Community Organization and a \$60,000 contribution by Brighton to reduce the Agency's land write-off on this project.

Ward: Sixth

Neighborhood Group Notification: The Lofts On Arts Avenue housing project is the result of a year-long planning process conducted by the Stevens Square Community Organization (SSCO) and the Plymouth Church Neighborhood Foundation (PCNF). SSCO has also approved a \$200,000 contribution of its NRP funds as a grant/permanent source to this project.

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Consistency with *Building a City That Works*: Addresses Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the City.

Comprehensive Plan Compliance: It conforms.

Zoning Code Compliance: It conforms.

Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☒ Action requires an appropriation increase to the MCDA Budget
- ☒ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact:

Living Wage / Business Subsidy: NA.

Job Linkage: NA.

Affirmative Action Compliance: Will comply.

City Council Recommendation: The Interim Executive Director recommends that the City Council:

- 1) Amend the 2002 MCDA Appropriation Resolution to increase the appropriation in Fund FEZ by \$200,000, and increase the Fund FEZ Revenue Budget (3820-Transfer within Special Revenue Funds) by \$200,000; and
- 2) Forward this report to the MCDA Board of Commissioners.

MCDA Board Recommendation: The Interim Executive Director recommends that the Board:

- 1) Authorize the acceptance of Empowerment Zone funds in the amount of \$200,000 and the execution of a Memorandum of Understanding between the MCDA and the City; and
- 2) Authorize the execution of a grant agreement with BD Arts Lofts, LLC, to provide \$200,000 in Empowerment Zone funds and \$490,000 in NRP Affordable Housing Program (AHP) funds based on the terms described in this report.

Background/Supporting Information

On August 23, 2002, the Board approved the proposed land sale to BD Arts Lofts, LLC (Brighton Development Corporation) subject to a \$200,000 NRP contribution by Stevens Square Community Organization (SSCO) and a \$60,000 contribution by Brighton to reduce the Agency's land write-off on this project. SSCO has agreed to contribute \$200,000 to the MCDA for up-front land assembly and site preparation costs with the balance for construction costs. Brighton's contribution will be made at construction

completion from profits and before any developer fees are paid. The MCDA's agreement with SSCO will also provide for a sharing of the 50% of any excess Brighton profits in proportion to SSCO's funding contribution.

At this time, it is necessary for the Board to authorize the acceptance of the EZ funds and the execution of a grant agreement to provide the EZ and NRP funds to the developer. The grant agreement will require the developer to provide affordability assistance to buyers through a deferred second mortgage mechanism with accrued interest and equity sharing. There will also be a financial inducement for homeowners to re-sell to other affordable buyers.

This report was prepared by Jerry LePage. For more information, please call 673-5240.